1988/89 ANNUAL REPORT

Alberta
AMHC Mortgage and Housing Corporation

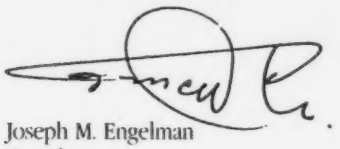
LETTERS OF TRANSMITTAL

The Honourable Raymond A. Speaker
Chairman
Alberta Mortgage and Housing Corporation

Sir:

I have the honour to submit the annual report of Alberta Mortgage and Housing Corporation for the year ending March 31, 1989.

Yours truly,



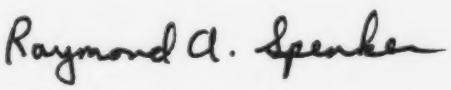
Joseph M. Engelman
President
Alberta Mortgage and Housing Corporation

The Honourable Helen Hunley
Lieutenant-Governor
Province of Alberta

Your Honour:

I have the honour to present, for the information of Your Honour and of the Legislative Assembly of Alberta, the annual report of Alberta Mortgage and Housing Corporation, covering the period from April 1, 1988 to March 31, 1989.

Yours sincerely,



Raymond A. Speaker
Minister of Municipal Affairs
Chairman
Alberta Mortgage and Housing Corporation

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At Community Housing III, AMHC is helping modest income residents in a boom economy.

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More than 7,000 Albertans can thank AMHC's Mobile Home Loan Insurance Program for affordable homeownership.

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The capital costs of AMHC programs are financed through debenture borrowings from the Alberta Heritage Savings Trust Fund.

HAPPY HOME. AMHC RENTS KEEP HOUSING WITHIN REACH OF THE LIZOTTE-BOGLES (LEFT) AND THE CLARKES (RIGHT).

A MODEST HOME IN THE PEACE

Tucked away inconspicuously on a sunny hillside overlooking the growing town of Peace River is Community Housing III, 10 AMHC-owned townhouse units specifically geared to the housing needs of modest income renters.

Bonnie Clarke and her daughter Brandi have been living here since November 1988 in a two bedroom unit whose neat and tidy appearance is testimony to a well-organized working mother. Bonnie has just finished the summer working at Macleods. Before that, she successfully completed her Grade 12 upgrading at Fairview College, an hour's drive southwest of town.

The Clarkes are pleased with their new home in the town poised on the edge of a pulp mill boom. "It's so pretty here in summer, and the people are very friendly," says Bonnie.

Les Lizotte and Elizabeth Bogle know how important subsidized housing is for modest income families. The couple literally moved "up in the world" after the birth of Shantel, baby sister to Nikita, now four years old. The family's two bedroom unit, which the Clarkes now occupy, had become too small.

A larger unit two doors up the hill was perfect for their growing family. "Elizabeth had to do most of the moving," says Les, deeply tanned from working 12-hour days, seven days a week.

Both he and his working wife are well-informed about the costs of accommodation in a town whose population could increase by 30 per cent within the next year. A one bedroom apartment is $425 a month. A three bedroom bi-level: $975 a month. Recently, the couple found higher-paying jobs and was able to move out of the community housing project. In a highly competitive rental market like Peace River's, the Lizotte-Bogles are "very happy" to have been able to live in subsidized housing, secure in the knowledge that its rent would remain at 25 per cent of their earnings.

Community Housing III also cheers Neill Murphy, Chairman of the town's housing authority. He views the AMHC project as part of an "improving trend" in the community. He singles out for special praise Loraine Ure, part-time Manager of the town's 52 community housing units, and Caretaker Zbe Golec. Their attention to detail, he says, is a major reason for the town's success as a social housing landlord.

Back in the town office, Gordon Lundy is talking about the impact of the Daishowa pulp mill project on local housing. The past year hasn't caused any tumultuous change, says the town's Secretary-Treasurer and one of the five-member local housing authority board. Peace River's population has risen by a few hundred at most, to around 6,550 people. Ahead in 1990 lies the larger influx, one that is expected to bring the local population up to more than 8,000.

The town has been "kind of sitting" since its mini-boom of 1979/80, he adds. But that period has also given his community time to develop its infrastructure. "We're 75 per cent ready for the new people."

A LIFESTYLE WITH A LOT TO OFFER

A manufactured home can combine comfort and security

with easy care maintenance. Or, it can be that important first step for young adults en route to homeownership.

"One of the challenges to our industry," says Blair Turner, Executive Director of the Manufactured Housing Association of Alberta and Saskatchewan, "has been to make manufactured home financing competitive with a conventional mortgage."

AMHC's Mobile Home Loan Insurance Program (MHLIP) is making that possible. The program protects private lenders from mortgage defaults by homebuyers, thereby creating a more confident lending environment. Buyers benefit from the resulting lower interest rates and favorable financing terms.

More than 7,000 Alberta families have been assisted since the program's beginnings in late 1983. In this past year alone, over 1,200 loans were insured.

Along with "good land and good product," good financing is a key tool in the sale of manufactured homes, says the association Executive Director, who should know. He sold the product for 14 years before being appointed to head the Red Deer-based association that represents 110 dealers.

From his perspective, the corporation's program is "a success story" in which industry and government have worked closely together to ensure the program met the demands of those it was set up to serve.

Across town, Bruce Torrance of the Toronto-Dominion Bank summarizes MHLIP from a lender's perspective: "It allows a person starting with very little . . . a chance to build equity." Buying a manufactured home can be the initial step into homeownership for people with modest incomes or just starting out. "An excellent plan," he concludes.

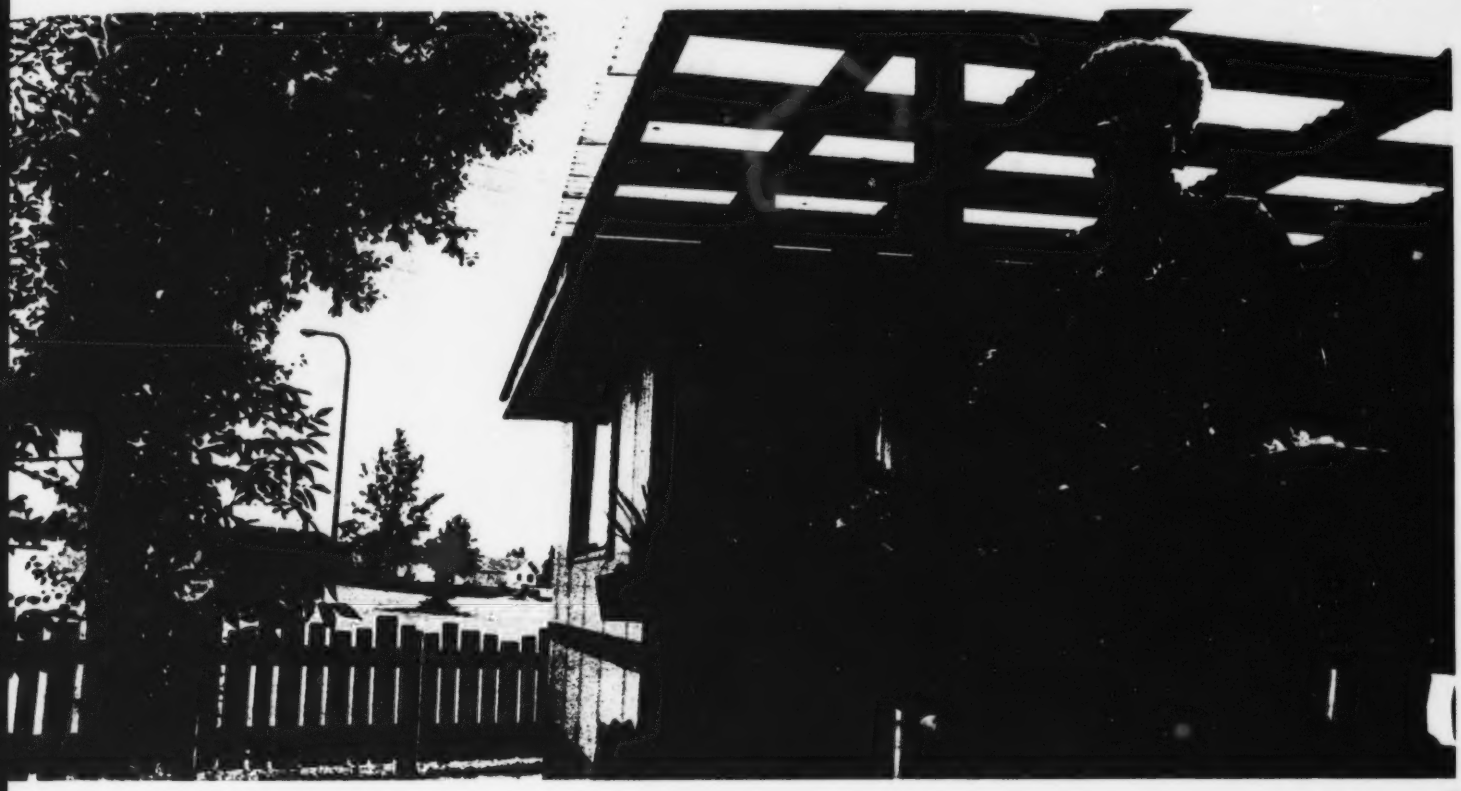
It's been more than 10 years since Ed Irwin landed his "good deal" on the 70-foot-long single-wide he and wife Serena call home in Parkside Mobile Home Estates. The quiet, smartly-maintained park in Red Deer's northeast end is one of 16 privately-owned projects financed through AMHC's Mobile Home Park Development Program.

A farm equipment Sales Manager with a territory that stretches "east to Minnesota," Ed spends more time out on the road than a traditional home and garden would allow. With the boys grown, he and Serena can head off to work with the security of a well-managed park behind them.

"As owners, this is the kind of park you want," she says of Parkside, the first of a series of mobile home communities developed by Red Deer businessman John Ratzke. His company, Parkside Holding Ltd., is recognized throughout the province for its excellence in park design.

A few lots away, Sherry and Kevin Rissling are just settling down under the cathedral ceilings of their first manufactured home. Married in January 1989, the Medicine Hat couple made their choice after his computer servicing company transferred them to Red Deer.

NICELY PARKED. THE RISSLINGS (LEFT) AND SERENA OLSEN (RIGHT) BENEFIT FROM AMHC'S MOBILE HOME LOAN INSURANCE PROGRAM.



"We don't know where our future is for the next few years," says Sherry, 22. Both consider renting "a waste", but neither wanted a traditional mortgage. Their decision to "buy manufactured" was a timely one. As well as their successful MHLIP application, they also qualified for the Alberta Mortgage Interest Shielding Program and the Alberta Family First-Home Program's $4,000 interest-free loan.

All in all, says Sherry of their 1,152 square ft., two bath home, a manufactured home "was the choice for us."

ALL CALGARY FOR A BACKYARD

Today, increasing numbers of Albertans with multiple handicaps are moving out of institutions and into more independent lifestyles. Just two years ago, more than a dozen young adults with multiple physical handicaps began moving into Edwards Place, an AMHC-owned and managed seniors' project in the heart of Calgary, to become part of its community.

There are more than 200 people living in this 17-storey building, but Manager Joanne Gourdinne seems to be on first-name terms with all of them. "Excuse the mess," apologizes Sharlene Taylor at the door to her tidy 13th floor one bedroom apartment as she readies for a weekend family reunion.

"We need more places like this," says the young woman. Born with cerebral palsy, Sharlene has used a wheelchair since childhood. "I must have visited about 30 places," she says, remembering the frustrations of her apartment hunting days. Each had claimed wheelchair accessibility. Outside one, Sharlene stopped to count the steps leading up to the front entrance. There were 14.

Estimates of mobility impairment through age, disease or other trauma run between 10 to 13 per cent of the Canadian population, reports Susan Law, Regional Administrator with the Easter Seal Ability Council. She worked with AMHC on the Edwards Place conversion that turned 32 vacant bachelor units into 12 one and two bedroom suites for handicapped tenants.

A pointer held firmly in his teeth, Ron Caponero punches a remote control on his modified wheelchair tray to let in his visitors. He's sitting in the living room, near the big southeast windows where he paints best. "I like the light here," says the 55-year-old from Revelstoke, "in God's Country," flashing a wide smile.

Disabled by multiple sclerosis, Ron moves around the wheelchair-adapted unit by manipulating the pointer. His landscape paintings line the apartment walls, testimony to his ability and determination.

The new tenants, like Ron, have fit in well with the other residents.

A knock at the door of Frank and Nellie Forbes's suite brings the fresh smells of home baking drifting into the hallway. Even on the hottest summer days, Nellie bakes. She gives most of it away to neighbors. The seniors have been here since 1982. They like the place, the mix of people and the sense of community, even if there never seem to be enough bingo players.

Frank is in the social room on the second floor. There's an upright piano being played by two seniors, a pool table, comfortable chairs and tables. Four vending machines stand close to the elevators. They are Frank's brainchild, introduced to generate revenue for the social club of which he is President. "Cigarettes sell not too bad," he says with a twinkle. "But pop sells better. Especially the Diet Coke and Pepsi."

AN OPEN DOOR. RON CAPONERO HAS FOUND A NEW KEY TO FREEDOM.

GREAT OUTLOOK. EDWARDS PLACE RESIDENTS AGAINST A DRAMATIC SKYLINE.

Proceeds help finance a catered annual Christmas dinner, an event that last year saw more than 100 people attend.

"And look out there," adds tenant Gordon Metcalfe in his melodious Welsh tenor, pointing out the bank of windows to the west. "All Calgary for a backyard!"

Edwards Place does indeed have an enviable urban location. Within a short walk, most of it by covered pedway, are City Hall, the VIA and LRT stations, Eaton's, The Bay and the Olympic Plaza.

But Edwards Place disabled residents have more than ringside seats to the best of downtown Calgary. They have the dignity of independence, a public health nurse once a month and rents pegged at no more than one-quarter of income. Small wonder, then, that vacancies are rare.

Susan Law summarizes the general feeling when she says, "Edwards Place is working well," allowing some disabled Albertans a new and much-wanted independence. And, with all Calgary for a backyard in the bargain.

OUR PURPOSE

To provide affordable, modest quality accommodation for Albertans by developing, financing, maintaining and managing land and housing programs, and by providing loan insurance.

AFFORDABLE HOUSING FOR ALBERTANS

Assisting Albertans to obtain affordable housing is AMHC's mandate. A Crown corporation of the Government of Alberta, AMHC manages extensive social housing, land and real estate, and loan portfolios.

The capital costs of AMHC's programs are financed through debenture borrowings from the Alberta Heritage Savings Trust Fund. To enable AMHC to provide housing programs at less than their full cost, the province subsidizes their operations through budgetary expenditures from the General Revenue Fund.

The federal government, through Canada Mortgage and Housing Corporation, contributes to the repayment of debentures and eligible operating expenses for many social housing units.

AMHC's programs make affordable housing available to low and moderate income families, single parents, seniors, individuals with special housing needs and the disabled.

HELP FOR HOMEOWNERS

Mortgage financing programs help modest income families, seniors and permanent wheelchair users to purchase AMHC-owned properties. Purchasers making $34,000 or less yearly may qualify for monthly subsidies to reduce their mortgage payments.

In rural and native communities, lower income families and seniors can buy or build modest homes through subsidized mortgage loans.

Mobile home buyers can obtain favorable mortgage financing through the Mobile Home Loan Insurance Program, which insures private lenders against mortgage defaults.

SUBSIDIZED RENTAL HOUSING

Rental accommodation based on income is available to lower income families, single parents, individuals or those requiring permanent wheelchair use.

Individuals and families in need may also be eligible for the Rent Supplement Program. Rental units at 25 per cent of income are located in AMHC-owned properties, federally-financed housing co-ops or private rental projects.

The Core Housing Incentive Program offers some subsidized suites in privately developed multi-unit rental projects.

MARKET RENTAL OPTIONS

Rental suites at market rates are available in Modest Apartment and Core Housing Incentive Program projects, as well as in many AMHC-owned properties.

AFFORDABLE LIVING FOR SENIORS

Seniors with modest incomes can enjoy rental units at 25 per cent of income through the Seniors' Self-contained Housing Program.

Larger market rental suites, developed through assistance to non-profit organizations, are available in One-third Capital Grant projects.

Senior citizens' lodges offer bedsitting rooms with meals and housekeeping services for physically and mentally able seniors.

COMMUNITY LIVING FOR PEOPLE WITH SPECIAL NEEDS

Non-profit organizations may be eligible for capital financing and/or subsidies to develop and manage residences for people with physical, mental or behavioral conditions. Financing for permanent, emergency or transitional facilities is available through Special Housing Programs.

IN 1988, AMHC PROGRAMS ASSISTED 95,000 ALBERTANS AND THEIR FAMILIES

	Total units
Seniors' housing units	23,896
Subsidized rental units [1]	22,330
AMHC-financed rental units	19,521
AMHC-financed homeownership units	18,592
Mobile home units/stalls	9,717
Staff housing units	470
Special housing units	321
	94,847

(1) Includes community housing, rent supplement and subsidized units in AMHC-financed projects.

RENTAL HOUSING IN REMOTE LOCATIONS

Provincial government employees whose jobs require them to live in remote communities can obtain modest rental accommodation through the Staff Housing Program. AMHC buys or builds the units. The employee's department subsidizes the difference between the rent paid by the employee and operating costs.

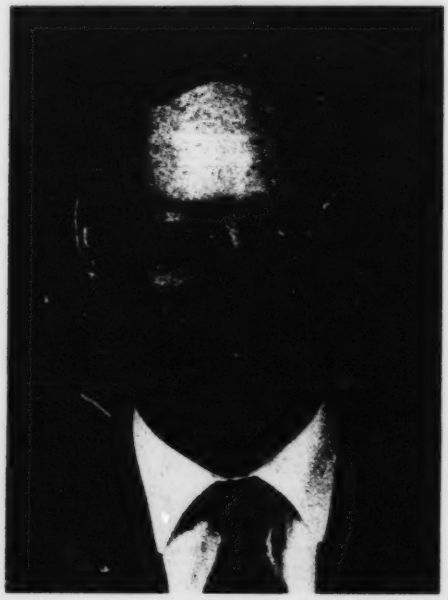
DEVELOPING ALBERTA COMMUNITIES

To cope with anticipated growth, many municipalities entered into land banking or development agreements with AMHC during the late 1970s and early 1980s.

Under land banking agreements, AMHC secured land on the municipalities' behalf for future residential or industrial development. Land development agreements authorized AMHC to purchase and develop land for municipal use. The municipalities are responsible for purchasing any unused land when the agreements expire.

AMHC also assisted communities to develop major underground water and sewer services through the Revolving Trunk Servicing Program.

CHAIRMAN'S MESSAGE



THE HONOURABLE RAYMOND A. SPEAKER, MINISTER OF MUNICIPAL AFFAIRS AND CHAIRMAN OF THE BOARD OF DIRECTORS, WAS APPOINTED IN APRIL 1989.

It is my pleasure to present the 1988/89 annual report of Alberta Mortgage and Housing Corporation (AMHC). I would like to thank the Honourable Dennis Anderson and the Honourable Ken Rostad, who both served as Chairman during the year.

AMHC's programs help Albertans who through age, income, family size or disability require assistance in obtaining adequate housing. The Heritage Savings Trust Fund investment in AMHC funds programs that provide long-term social and economic benefits to Albertans.

The corporation has three distinct portfolios — mortgage loans, social housing and land. Through its lending programs, the corporation has helped approximately 27,000 low and middle income families to become homeowners and some 24,000 private-sector housing units have been developed to meet the demand for affordable rental accommodation.

Seniors whose sole income is the government pension, the working poor, single parents, social assistance recipients, inner city residents and the disabled have benefitted from the development of about 36,000 social housing units. Canada Mortgage and Housing Corporation shares in the operating costs for most of these units. The development by AMHC of land and infrastructure has further enabled growing communities to plan for future residential or industrial growth.

Seniors' housing is a priority for the Government of Alberta. The province encourages the development of innovative private-sector projects for those who can afford them and will continue to provide subsidized housing where required. AMHC's role involves the management of 24,000 seniors' units and the development of new housing where the need exists. In the area of property administration, AMHC has started an upgrading program for its older senior citizens' lodges to provide more comfortable accommodation for the residents. Three such projects are presently underway. A Lodge Standards Review Committee has also been set up to monitor the operations of lodges. This committee is composed of representatives of AMHC, the Alberta Senior Citizens' Homes Association and the Lodge Foundations.

SUBSIDIZED MORTGAGES HELP MODEST HOME BUYERS

People with special housing needs also require affordable, accessible housing, and AMHC works with non-profit organizations to provide this. Troubled adolescents, recovering alcohol or drug abusers, multiple handicapped adults and battered women are among the clients who have been assisted through the development of residential, emergency or transitional shelters. With affordable housing and support services, these individuals are able to live independently within the community.

Homelessness and the rehabilitation of aging housing stock are pressing social concerns in inner city neighborhoods. Adequate housing is only one requirement in addressing these complex conditions. Social and support services are also needed to assist the homeless and those with physical,

mental or emotional conditions to become independent. The past year saw a multiple response, involving the commitment of 128 housing units for single mothers and adults with emotional difficulties. The YWCA in Edmonton will provide support services and life skills training for these clients. During 1989/90, the province will continue to increase the supply of inner city housing, and to identify non-profit agencies able to provide the support services these Albertans require.

Modest income families also benefit from AMHC programs. Mortgage financing enables these families to purchase corporation-owned properties. Low and moderate income Albertans continue to benefit from AMHC's sales policies.

AMHC WILL SUPPORT NEW RESOURCE PROJECTS

As a government agency, AMHC attempts to market its owned properties in a manner that supports local real estate values. The corporation is now seeing positive gains as its owned properties inventory continues to decline. Substantial increases in the market values are being realized compared to values three or four years ago. A total of 381 owned properties have been marketed, through a rental purchase plan, to AMHC tenants.

During 1989/90, the corporation will monitor the need for additional subsidized housing in communities where new resource projects have been announced. AMHC will support the province's commitment to these communities by working with other government departments to facilitate the provision of housing where necessary. In addition, AMHC's existing land holdings should help to meet the demand for residential and industrial development.

Over the past year, AMHC has experienced a substantial increase in the sale of residential and industrial lands developed in past years. This is expected to continue in 1989/90.

1988/89 LENDING ACTIVITY

	Total units	Loan amount ($,000s)
Mobile Home Loan Insurance Program	1,243	–
Alberta Family Home Purchase Program(1)	426	$19,301
Rural and Native Housing Program	206	$14,074
Modest Apartment Program(1)	12	$ 230
Private Non-profit Housing Program(2)	108	$ 5,191
Total activity	1,995	$38,796

(1) Financing was provided to support the sale of owned properties only.
(2) Additional special housing units were provided under the Public Non-profit Housing Program.

With vacancy rates declining, the takeup of rental units in government-financed, multi-unit projects is also expected to increase. Increased rent revenues and a loan restructuring program should improve the viability of most of the AMHC-financed projects.

SENIORS' HOUSING IS A PRIORITY

The corporation will continue to work closely with the management agencies and municipalities that administer its projects to ensure that affordable housing is available to those who need it. I have enjoyed the opportunity of meeting with representatives of many of these agencies and communities, as well as corporation employees. Their dedication makes AMHC's efforts worthwhile.

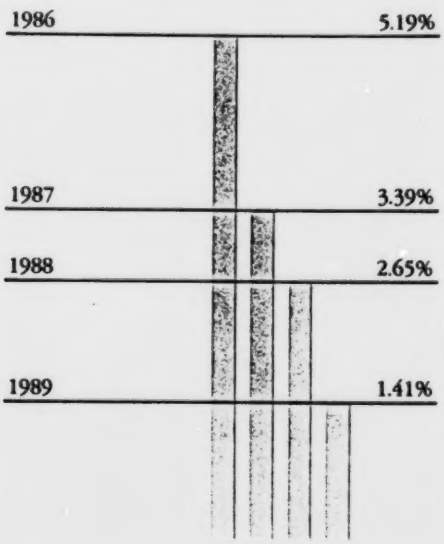
1988/89 SOCIAL HOUSING ACTIVITY AT MARCH 31, 1989

(Figures denote number of units)	Senior citizens' lodges	Seniors' self-contained apartments	Community housing projects	Rent supplement units	Special housing units
In planning *(Project in planning, construction tender not awarded)*					
Andrew		4			
Blackfalds		4			
Calgary	65	90			
Castor		6			
Dewberry		4			
Drumheller		6			
Eckville		8			
Edmonton		98			
Fort Vermilion			10		
Glendon		4			
Grassy Lake		4			
Lacombe		26			
Legal		4			
Lethbridge	60		10		
Nampa		4			
Peace River			10		
Red Deer			16		
St. Albert	45				
Sherwood Park		20			
Slave Lake			16		
Stettler	30				
Subtotal	200	282	62	–	–
In progress *(Construction tender awarded)*					
Anzac		4			
Banff		12			
Bonnyville	44 (new) 22 (retrofit)				
Calgary		76			13
Canmore			28		
Carstairs	30				
Drayton Valley	38 (new) 22 (retrofit)				
Edmonton					60
Heisler		4			
Lethbridge		33	12		
Okotoks	30				
Pincher Creek			4		
Stony Plain	60	36			
Vermilion		15			
Vulcan		6			
Wainwright		24			
Subtotal	246	210	44	–	73

(Figures denote number of units)	Senior citizens' lodges	Seniors' self-contained apartments	Community housing projects	Rent supplement units	Special housing units
Completed *(Project completed and turned over to management agency)*					
Bezanson		4			
Brooks			11		
Calgary		104			
Edmonton				32	10
Falher		12	4		
Foremost			4		
Grand Centre					15
Hughenden		4			
Kitscoty		8			
La Crete		12			
La Glace		4			
Lethbridge				5	
Medicine Hat		20			
Red Deer	65		16	4	
Rocky Mtn. House		21			
Slave Lake			8		7
Spirit River		8			
St. Albert				21	
Vilna		4			
Taber		30	4		
Westlock		20			3
Subtotal	65	251	47	62	35
Transferred *(Units transferred from surplus or owned housing stock)*					
Airdrie				23	
Calgary			72	70	16
Edmonton				338	31
Fort McMurray				28	
High River				3	
Irricana				3	
Strathmore				3	
Wetaskiwin				18	
Whitecourt			1		
Subtotal	–	–	73	486	47
Grand total	511	743	226	548	155

THE YEAR IN REVIEW

JOE ENGELMAN HAS BEEN PRESIDENT OF AMHC SINCE ITS CREATION ON AUGUST 1, 1984 AND WAS PRESIDENT OF ALBERTA HOME MORTGAGE CORPORATION FOR SEVEN YEARS PREVIOUS TO THAT TIME.



PERCENTAGE OF MORTGAGE ACCOUNTS IN ARREARS AT MARCH 31, 1989 (BASED ON ACCOUNTS OVER 90 DAYS IN ARREARS)

DURING 1988/89, AMHC served more than 95,000 Alberta families.

THE CORPORATION administered 18,592 mortgage accounts, a decline of 1,231 over 1987/88 as mortgagors paid off or sold their properties.

$19.3 MILLION in new mortgage loans was provided to help 426 Alberta families and individuals to purchase corporation-owned properties.

$14.1 MILLION in subsidized mortgage financing enabled 206 rural and native residents to buy or build homes.

103 AMHC market rental tenants were assisted in buying their units through a rental purchase plan.

APPLICATIONS for the Mobile Home Loan Insurance Program rose six per cent to 1,243. To keep pace with the strong demand for manufactured housing, AMHC eliminated the $40,000 lending ceiling and reduced premiums for homebuyers with larger down-payments.

389 PROPERTIES, representing about two per cent of the loans on repayment, were acquired through quit claims or foreclosures. The number of homeownership loans in arrears was 263, a decline of 53 per cent from the previous year.

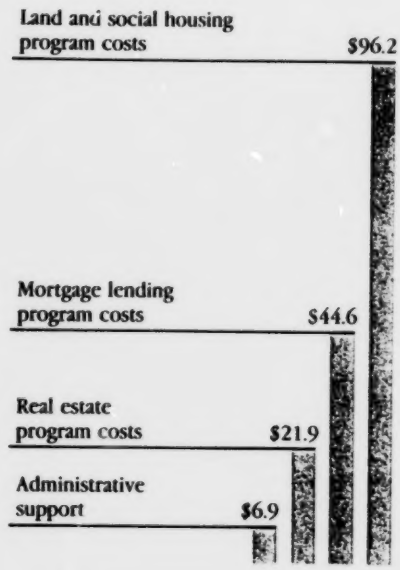
1,159 OWNED PROPERTIES were sold or transferred, compared to 985 units in 1987/88. The transfer of foreclosed properties enables the corporation to provide subsidized housing at a savings of approximately $20,000 per unit compared to new construction.

AMHC'S OWNED PROPERTIES inventory decreased to 4,130 units, down from 4,878 units in 1987/88. Of these, 1,023 were being utilized as rent supplement units for lower income tenants. At year end, AMHC had 2,560 condominium, 818 detached and 311 semi-detached units, 407 mobile homes and 34 multi-unit projects.

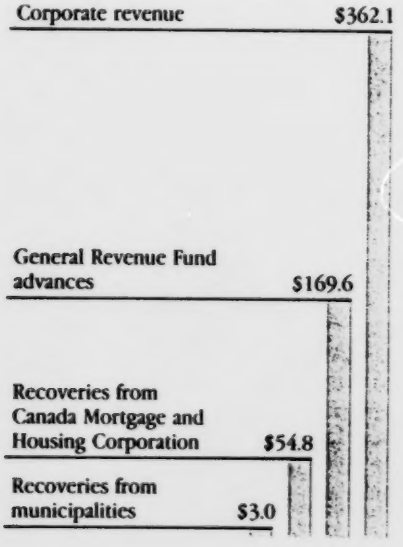
LOW AND MODERATE INCOME seniors benefitted from the commitment to develop 135 new subsidized self-contained housing units.

548 RENT SUPPLEMENT UNITS committed during the year provided subsidized accommodation for lower income families and individuals, disabled Albertans and social assistance recipients.

1988/89 CONTRIBUTION BY THE PROVINCE OF ALBERTA (MILLIONS OF DOLLARS)



1988/89 FUNDING OF OPERATIONS (MILLIONS OF DOLLARS)



73 OWNED UNITS were transferred to community housing to provide family rental accommodation at 25 per cent of income.

155 ADDITIONAL UNITS of special housing were provided for people with physical, mental or behavioral conditions.

SUBSTANTIAL LOT SALES were experienced in 1988/89, with 405 lots and 163 acres of land being sold for a total of $16.9 million.

AMHC'S gross borrowings from the Alberta Investment Division of the Alberta Heritage Savings Trust Fund amounted to $4.8 billion at year end. AMHC has repaid $1.7 billion in principal and has made $3.6 billion in interest payments. Of the outstanding balance of $3.1 billion, $1 billion is for social housing and $2.1 billion for mortgage loans.

AMHC LENDING AND SOCIAL HOUSING programs require an ongoing commitment to pay the subsidies and yearly interest and amortization costs of the projects. The corporation has also incurred substantial holding costs on properties which went into foreclosure as a result of the downturn and these costs are reflected in the financial statements.

THE SUBSTANTIAL DEVALUATION of the corporation's assets, resulting from the general decline of land and real estate values in the early 1980s, is reflected in the unfunded deficit. The resulting accumulated deficit includes a write-down, incurred in 1986/87, on land of $154 million, real estate of $49.3 million, a $328.4 million allowance for losses on mortgages and loans, and depreciation of $77.7 million. With increasing real estate values and recent economic growth, the corporation doesn't expect to incur these total losses. The allowance for losses on loans has been reduced from previous years.

ALBERTA MORTGAGE AND HOUSING CORPORATION
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AUDITOR'S REPORT

To the Board of Directors of the
Alberta Mortgage and Housing Corporation

I have examined the balance sheet of the Alberta Mortgage and Housing Corporation as at March 31, 1989 and the statements of revenue, expenditure and unfunded operating deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes in the accounting for depreciation of housing program assets, fixed assets, development costs and value of land and housing assets transferred to the Corporation as described in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Donald D. Salmon

FCA
Auditor General

Edmonton, Alberta
June 26, 1989

ALBERTA MORTGAGE AND HOUSING CORPORATION
BALANCE SHEET

As at March 31, 1989 *(Thousands of dollars)*

	1989	1988
Assets		
Cash	$ 21,924	$ 45,461
Accounts receivable	26,786	26,237
Marketable securities (Note 4)	11,649	27,176
Agreements receivable (Note 5)	11,820	11,870
Investments in programs (Note 6):		
Housing	1,063,326	1,079,178
Land	123,034	140,759
Mortgages and loans receivable	1,698,240	1,751,360
Real estate	190,796	220,583
Fixed assets (Note 7)	1,053	1,228
	$3,148,628	$3,303,852
Liabilities and net deficit		
Accounts payable	$ 10,439	$ 14,851
Accrued interest payable	138,737	148,715
Short-term notes payable (Note 8)	9,946	14,963
Property tax deposits on mortgages	24,475	24,769
Due to the Province of Alberta	17,987	30,087
Unearned premiums	8,500	8,726
Advance from the Province of Alberta (Note 9)	273,110	284,888
Long-term debt (Note 10)	3,244,543	3,401,654
	3,727,737	3,928,653
Net deficit (Note 11)	(579,109)	(624,801)
	$3,148,628	$3,303,852

The accompanying notes are part of these financial statements.

ALBERTA MORTGAGE A
STATEMENT OF REVENUE, EXPENDIT
For the year ended March

Revenue

Interest revenue
- Mortgages and loans
- Marketable securities
- Bank and other

Rental revenue
Insurance premiums earned
Sales
Other

Expenditure

Interest expense
Manpower and staff development
Rent and office costs
Travel and communication
Materials, supplies and repairs
Taxes, utilities and condominium fees
Depreciation expense
Grants and subsidies
Cost of sales
Provision for losses on mortgages and loans
Write down in value of land program investments

Excess (Deficiency) of revenue over expenditure before recoveries

Costs recovered from:
- Canada Mortgage and Housing Corporation
- Municipal authorities

Excess (Deficiency) of revenue over expenditure for the year

Contributed by Province of Alberta

Unfunded operating deficit at beginning of the year as restated (Note 3d)

Unfunded operating deficit at end of the year

D HOUSING CORPORATION
RE AND UNFUNDED OPERATING DEFICIT
89 (Thousands of dollars)

Housing	Land	Mortgage Lending	Real Estate	Administrative Support	Total 1989	1988
$ –	$ –	$ 168,318	$ –	$ –	$ 168,318	$ 169,485
–	–	1,663	–	–	1,663	3,358
800	327	120	–	851	2,098	1,296
69,910	–	–	19,860	–	89,770	86,455
–	–	1,422	–	–	1,422	1,622
21,146	16,900	–	58,087	–	96,133	56,539
167	–	2,153	–	378	2,698	1,410
92,023	17,227	173,676	77,947	1,229	362,102	320,165
131,145	–	203,370	27,037	15	361,567	392,976
13,107	573	3,322	1,833	4,917	23,752	24,509
683	68	396	219	2,240	3,606	3,833
435	44	252	139	247	1,117	1,192
23,871	15	85	6,443	517	30,931	31,159
26,139	–	–	6,923	–	33,062	33,278
20,400	–	–	–	459	20,859	20,486
12,280	–	–	–	–	12,280	7,637
19,355	14,505	–	58,260	–	92,120	58,875
–	–	(36,584)	–	–	(36,584)	126,247
–	1,032	–	–	–	1,032	–
247,415	16,237	170,841	100,854	8,395	543,742	700,192
(155,392)	990	2,835	(22,907)	(7,166)	(181,640)	(380,027)
53,718	–	–	1,032	–	54,750	50,729
2,960	–	–	–	–	2,960	3,583
(98,714)	990	2,835	(21,875)	(7,166)	(123,930)	(325,715)
90,031	6,141	44,577	21,875	6,991	169,615	223,962
(8,683)	7,131	47,412	–	(175)	45,685	(101,753)
(67,610)	(160,872)	(425,095)	–	1,228	(652,349)	(550,596)
$ (76,293)	$(153,741)	$(377,683)	$ –	$ 1,053	$(606,664)	$(652,349)

ALBERTA MORTGAGE AND HOUSING CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended March 31, 1989 *(Thousands of dollars)*

	1989	1988
Cash provided by (applied to):		
Operating activities	$(163,945)	$(195,357)
Investing activities	151,784	139,401
Financing activities	(168,889)	(135,090)
Net decrease in cash	(181,050)	(191,046)
Cash at beginning of year	45,461	13,503
Net operating advance from the Province of Alberta	157,513	223,004
Cash at end of year	$ 21,924	$ 45,461
Operating activities:		
Excess (deficiency) of revenue over expenditure	$(123,930)	$(325,715)
Write down in value of land program investment	1,032	–
Provision for losses on mortgages and loans	(36,584)	126,247
Depreciation	20,859	20,486
Loss (gain) on sales of:		
Housing	(1,791)	118
Real estate	173	3,660
Land	(2,395)	(2,459)
Fixed assets	(171)	–
Amortization of:		
Discount on marketable securities	(662)	(669)
Mortgage insurance premiums	(1,422)	(1,472)
Mortgage insurance premiums received	1,196	856
Net change in non-cash working capital	(20,250)	(16,409)
	$(163,945)	$(195,357)
Investing activities:		
Reduction in mortgages and loans receivable	$ 89,704	$ 167,659
Reduction (increase) in agreements receivable	50	(725)
Real estate assets transferred to the housing program	(2,192)	(11,760)
Housing assets acquired from the real estate program	2,192	11,760
Real estate acquired through foreclosure	(30,665)	(61,355)
Proceeds from sales of:		
Housing	21,146	3,643
Real estate	58,087	44,199
Land	16,900	8,697
Fixed assets	239	–
Investment in land and housing	(19,518)	(33,458)
Investment in administrative support fixed assets	(348)	(409)
Proceeds from sale of marketable securities	16,189	11,150
	$ 151,784	$ 139,401
Financing activities:		
Debentures issued to the Province of Alberta	$ 76,000	$ 155,000
Repayment of long-term debt	(233,111)	(284,145)
Repayment of advance to the Province of Alberta	(11,778)	(5,945)
	$(168,889)	$(135,090)

ALBERTA MORTGAGE AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1989

Note 1

Authority

The Alberta Mortgage and Housing Corporation operates under the authority of the Alberta Mortgage and Housing Corporation Act, Chapter A-32.5, Statutes of Alberta 1984, as amended.

Note 2

Significant Accounting Policies and Reporting Practices

These financial statements include the assets and liabilities and the results of operations of the Mortgage Insurance Fund and the Mobile Home Insurance Fund.

Summary of significant accounting policies:

a) Mortgages and loans receivable

Mortgages and loans receivable are reported at cost less an allowance for anticipated losses. Cost includes amounts advanced, interest capitalized and accrued, property taxes, and other charges, less repayments and direct subsidies applied.

b) Housing

Housing program investments are reported at cost less accumulated depreciation.

c) Real estate program

Real estate program investments are acquired through mortgage foreclosures and loan guarantees and are reported at net realizable value at the time of acquisition. Enduring declines in value subsequent to acquisition are written off.

d) Land program

Land is reported at cost or at net realizable value at date of acquisition. Enduring declines in value subsequent to acquisition are written off.

e) Marketable securities

Marketable securities are reported at cost which includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investment.

f) Interest revenue - mortgages and loans receivable

Interest is recognized on an accrual basis until such time as the loan is classified as non-accrual. Interest on non-accrual loans is recognized as revenue on a cash basis. Mortgages and loans on multi-unit rental properties are classified as non-accrual when interest and principal payments are contractually past due 30 days. All other mortgages and loans are classified non-accrual when interest and principal payments are contractually past due 90 days. Mortgages and loans guaranteed by the Governments of Alberta or Canada are not classified as non-accrual.

g) Depreciation of assets

Housing program assets and administrative support fixed assets are depreciated at the following rates:

Housing program:	
Building	Between 1.66% and 2% per annum straight-line
Furniture, fixtures and equipment	10% per annum straight-line
Administrative support:	
Office furniture and equipment	20% per annum on a declining balance
Computer equipment	40% per annum on a declining balance

h) Recoveries

Certain housing programs are cost-shared with the Canada Mortgage and Housing Corporation and Municipal Authorities. Recoveries of costs are deducted from the cost of housing and real estate programs on the statement of revenue, expenditure and unfunded deficit.

i) Capitalization of project costs

Interest costs, overhead expenses and grants in lieu of local improvement taxes relating to projects under construction and land held under the land program, are capitalized and form part of the cost of the investments.

j) Assets transferred from the Province of Alberta

Assets transferred from the Province of Alberta at nominal values are recorded at net realizable value at acquisition date. Contributed surplus arising from these assets forms part of the net deficit of the Corporation.

Note 3

Changes in Accounting Policies

(Thousands of dollars)

a) Depreciation of housing program assets

During the year, in order to comply with generally accepted accounting principles, the Corporation changed its method of amortizing its housing program assets from a rate equal to the redemption of long-term debt financing the housing program assets to depreciating such assets over their useful lives on a straight-line basis.

This change has been applied retroactively and results in an increase in expenditure of $8,006 (1988 $9,512) for the year. The change reduces the investment in housing program assets and increases the unfunded operating deficit by $77,677 (1988 $69,671 and 1987 $60,159).

b) Fixed assets

During the year, the Corporation changed its method of accounting for fixed assets used for administration purposes in order to comply with generally accepted accounting principles. In previous years, fixed assets were expensed in the year of purchase. These assets are now capitalized and depreciated over their useful lives.

This change, which has been applied retroactively, results in an increase of expenditure for the year of $175 (1988 $470). The change increases assets and decreases the unfunded operating deficit by $1,053 (1988 $1,228 and 1987 $1,698).

c) Development costs on housing assets transferred from Province of Alberta

During the year, the Corporation changed its method of recording development costs incurred on housing assets transferred from the Province of Alberta. These costs, previously expensed, have now been capitalized.

This change has been applied retroactively and results in an increase in the investment in housing assets and reduction in the unfunded operating deficit of $1,384 (1988 $2,061 and 1987 $2,140).

The cost of sales would have been less by $677 (1988 $79) under the previous method of accounting.

d) Unfunded operating deficit at beginning of the year

(Thousands of dollars)	1989	1988
As previously reported	$585,967	$494,275
Effect of changes in accounting policies with respect to:		
Depreciation of housing program assets (Note 3a)	69,671	60,159
Fixed assets (Note 3b)	(1,228)	(1,698)
Development costs on housing assets transferred from Province of Alberta (Note 3c)	(2,061)	(2,140)
	$652,349	$550,596

e) Valuation of land and housing assets transferred from the Province of Alberta

During the year, in order to comply with generally accepted accounting principles, the Corporation changed its accounting policy of recording land and housing assets transferred from the Province of Alberta at nominal values to recording the assets at net realizable value at the acquisition date.

This change has been applied retroactively and results in an increase in the investment in land and housing programs of $18,016 (1988 $27,548). The change has also reduced the net deficit by a contributed surplus of $27,555 (1988 $27,548) (Note 11).

The cost of sales would have been less by $9,539 (1988 $802) under the previous method of accounting.

Note 4

Marketable Securities

Marketable securities consist of the following:

(Thousands of dollars)	1989	1988
Treasury bills and coupon notes	$ 5,994	$ 9,330
Bonds and debentures:		
Government of Canada	5,655	16,846
Provincial issues, direct and guaranteed	–	1,000
	$ 11,649	$ 27,176
Market value	$ 11,389	$ 27,282

Note 5

Agreements Receivable

Province of Alberta

These receivables result from agreements to finance student residences in the Province.

Municipal

These receivables result from agreements to finance Municipal Land Development and Sales within the Province.

(Thousands of dollars)	1989	1988
Province of Alberta	$ 4,327	$ 4,470
Municipal	7,493	7,400
	$ 11,820	$ 11,870

Note 6

Investments in Programs

a) Housing

This represents assets acquired and utilized in the delivery of housing programs.

(Thousands of dollars)	Land	Building	Furniture Fixtures and Equipment	Work in Progress	Total
Senior citizens' self-contained	$ 63,711	$547,784	$16,942	$ 8,940	$ 637,377
Community housing	50,972	301,948	9,339	4,708	366,967
Senior citizens' lodges	6,313	121,619	3,761	1,374	133,067
Industrial and mobile home parks	51,227	–	–	–	51,227
Provincial Staff housing	4,408	18,111	560	75	23,154
Other	2,426	6,917	214	979	10,536
Total	179,057	996,379	30,816	16,076	1,222,328
Accumulated Depreciation	–	135,152	23,850	–	159,002
1989 Net Book Value	**$179,057**	**$861,227**	**$ 6,966**	**$16,076**	**$1,063,326**
1988 Net Book Value	$180,010	$858,862	$ 9,357	$30,949	$1,079,178

b) Land

This represents land acquired for future development and sale by the Corporation and land acquired under land banking and development agreements with municipalities.

c) Mortgages and loans receivable

This represents balances outstanding under the lending programs after providing for losses.

(Thousands of dollars)	1989	1988
Current:		
Home Ownership	$ 817,455	$ 862,409
Multi-unit Rentals	317,446	320,792
Land and Others	8,778	7,802
	1,143,679	1,191,003
Non-Accrual:		
Home Ownership	10,913	25,320
Multi-unit Rentals	801,758	806,564
Land and Others	70,290	93,773
	882,961	925,657
Less Provision for Losses:		
Home Ownership	700	1,800
Multi-unit Rentals	300,500	322,400
Land and Others	27,200	41,100
	328,400	365,300
Net Non-Accrual	554,561	560,357
	$1,698,240	$1,751,360

d) Real Estate

This consists of properties acquired on settlements of mortgage claims and foreclosures.

(Thousands of dollars)	1989	1988
Designated for sale	$ 14,386	$ 27,985
Rental units under:		
Market rental	135,511	168,272
Cost-sharing program	40,899	24,326
	176,410	192,598
Total	$190,796	$220,583

Rental units under the cost-sharing program are used in the Housing Program.

Note 7
Fixed Assets

Fixed assets used in administrative support comprise the following:

(Thousands of dollars)	Cost	Accumulated Depreciation	Net Book Value 1989	Net Book Value 1988
Land	$ 37	$ –	$ 37	$ 37
Office furniture and equipment	1,414	890	524	585
Computer	3,764	3,272	492	606
	$5,215	$4,162	$1,053	$1,228

Note 8
Short-Term Notes Payable

Short-term notes payable are held by the Alberta Provincial Corporation Loan Fund and mature within one year.

Note 9
Advance from the Province of Alberta

This is an interest-free advance from the General Revenue Fund of the Province of Alberta and is repayable on demand.

Note 10
Long-Term Debt

(Thousands of dollars)	1989	1988
Debentures payable		
- Province of Alberta, maturing 1990 to 2015, with a weighted average interest rate of 10.82%	$3,134,070	$3,278,741
- Canada Mortgage and Housing Corporation, maturing 1998 to 2030, with a weighted average interest rate of 9.07%	108,550	109,192
- Other	–	11,245
Mortgage and Agreements for sale		
- Province of Alberta	1,577	2,102
- Other	346	374
	$3,244,543	$3,401,654

a) The repayment of principal and interest of all borrowings of the Corporation is guaranteed by the Province of Alberta.

b) Debentures are repayable in equal annual or semi-annual instalments of blended principal and interest over the terms to maturity.

c) Approximate aggregate repayments due in each of the next 5 years are:

(Thousands of dollars)	1989	1988
1988-89	$ –	$189,050
1989-90	190,100	182,355
1990-91	198,101	189,330
1991-92	129,333	132,489
1992-93	122,857	126,411
1993-94	121,406	–

Note 11
Net Deficit

The net deficit comprises the following categories:

(Thousands of dollars)	1989	1988
Allowance for losses on mortgages and loans	$328,400	$365,300
Land write down	153,741	160,872
Loss on foreclosed mortgages	49,283	59,795
Depreciation	77,677	69,671
Capitalization of items previously expensed:		
Fixed assets	(1,053)	(1,228)
Development expenses of housing assets	(1,384)	(2,061)
Unfunded operating deficit	$606,664	$652,349
Less: Contributed surplus arising from transfer of assets from Province of Alberta: (Note 3e)		
Land	16,189	16,182
Housing	11,366	11,366
	27,555	27,548
	$579,109	$624,801

Note 12
Mobile Home Loan Insurance
(Thousands of dollars)

At March 31, 1989, mobile home loans amounting to $132,241 (1988 $112,725) had been insured by the Corporation.

Note 13
Capitalization of Interest
(Thousands of dollars)

During the year, the Corporation allocated $1,109 (1988 $1,217) of interest to projects under construction.

Note 14
Commitments and Contractual Obligations
(Thousands of dollars)

The Corporation has commitments in respect of unadvanced amounts on approved mortgages totalling $11,000 (1988 $11,012) and contractual obligations with respect to investment in projects totalling $18,872 (1988 $5,962).

Note 15
Contingent Liabilities
(Thousands of dollars)

The Corporation is involved in a number of legal proceedings, the outcome of which cannot be predicted at this time. Claims amounting to $1,100 (1988 $4,900) have been filed against the Corporation. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Corporation. Any settlement will be charged to income in the year the settlement occurs.

Note 16
Comparative Figures

The 1988 figures have been restated where necessary to conform to 1989 presentation.

Note 17
Approval of Financial Statements

These financial statements have been approved by management.

BOARD OF DIRECTORS

As at March 31, 1989

The Honourable Dennis Anderson
Chairman, Minister of Municipal Affairs

Joseph M. Engelman
President, Alberta Mortgage and Housing Corporation

Archie R. Grover
Deputy Minister of Municipal Affairs

A.F. (Chip) Collins
Appointed by the Provincial Treasurer

Mary J. Cameron
Edmonton

Barney Germaniuk
Okotoks

Frank Lovsin
Peace River

Norman Mayer
Camrose

Robert Thompson
Lethbridge

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